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International Utilities Corporation

Forty-Sixth Annual Report 1970

Contents

INTERNATIONAL UTILITIES CORPORATION AND SUBSIDIARIES
Statement of Consolidated Income (Stated in U.S. currency)

	Three months ended June 30, 1970	Three months ended June 30, 1969	Six months ended June 30, 1970	Six months ended June 30, 1969
Sales and revenues:				
Utilities	$ 26,778,000	$ 22,217,000	$ 61,547,000	$ 56,448,000
Transportation	47,391,000	33,897,000	88,826,000	66,987,000
Industrials and services	83,867,000	75,914,000	155,664,000	143,587,000
Controlled major affiliates:				
Brewer	40,682,000	36,667,000	75,802,000	48,322,000
Walworth	17,408,000	17,291,000	32,232,000	32,788,000
Other corporate ventures	3,163,000	3,693,000	8,364,000	9,242,000
	219,289,000	189,679,000	422,435,000	357,374,000
Costs and expenses:				
Cost of products sold	102,247,000	87,531,000	192,510,000	160,831,000
Other operating costs and expenses	56,965,000	39,747,000	105,140,000	85,339,000
Selling, general and administrative expenses	28,521,000	33,153,000	57,539,000	52,813,000
Depreciation and amortization	8,636,000	9,431,000	19,316,000	18,826,000
Interest:				
Long-term debt	7,460,000	4,992,000	14,636,000	9,313,000
Other	2,644,000	2,465,000	5,301,000	4,710,000
Provision for income taxes	3,258,000	4,815,000	8,569,000	9,124,000
Dividends on preferred shares of subsidiaries and net income applicable to minority interests	1,324,000	2,281,000	1,993,000	2,821,000
	211,055,000	184,415,000	405,004,000	343,777,000
Net income:				
Products, services and other revenues	8,234,000	5,264,000	17,431,000	13,597,000
Disposition of properties and investments, less income taxes	(3,619.000)	1.939,000	10.000	5,478,000
Net income	4,615,000	7,203,000	17,441,000	19,075,000
Dividend requirement on preferred stock	250,000	575,000	523,000	1,161,000
Balance applicable to common shares and common equivalent shares	$ 4,365,000	$ 6,628,000	$ 16,918,000	$ 17,914,000
Per average common share and common equivalent share after preferred dividends:				
Primary:				
Net income — products, services and other revenues	$ .57	$ .38	$ 1.23	$ 1.02
Net income — disposition of properties and investments	(.26)	.14	—	.41
Net income	$ .31	$ .52	$ 1.23	$ 1.43
Fully diluted:				
Net income — products, services and other revenues	$ .50	$ .35	$ 1.04	$ .85
Net income — disposition of properties and investments	(.21)	.13	—	.34
Net income	$ .29	$ .48	$ 1.04	$ 1.19
Common shares and common equivalent shares used in computing primary net income per share data	13,768	12,471	13,768	12,471

Note: Common equivalent shares consist of Special Stock, Series A at current conversion rate and the effect of shares issuable under stock options. Fully diluted earnings per share assume in addition, the conversion of convertible preferred stocks and bonds and Special Stock Series at conversion rate as of January 1, 1981. Fully diluted earnings per share do not give effect to future earnings retained and employed prior to 1981 by reason of the non-dividend character of the Special Stock, Series A.

Consolidated Balance Sheet (Stated in U.S. currency)

	June 30, 1970	December 31, 1969
ASSETS:		
Current assets:		
Cash	$ 31,198,000	$ 41,008,000
Marketable securities, at cost (market value approximated cost—1970)	4,502,000	41,066,000
Accounts receivable, less allowances	192,782,000	146,428,000
Inventories	104,281,000	110,101,000
Prepaid expenses and other current assets	16,111,000	14,404,000
Total current assets	348,874,000	353,007,000
Investments, substantially at cost	129,477,000	137,137,000
Property, plant and equipment, at cost	992,928,000	952,409,000
Less accumulated depreciation and amortization	296,850,000	284,464,000
Net property, plant and equipment	696,078,000	667,945,000
Deferred charges — in process of amortization	14,726,000	12,575,000
Operating rights, franchises and other intangibles, net	33,763,000	26,199,000
Total assets	$1,222,918,000	$1,196,863,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Long-term debt — current maturities	$ 36,699,000	$ 28,823,000
Loans payable to banks and others	82,438,000	86,784,000
Accounts payable and accrued liabilities	70,571,000	93,778,000
Accrued interest on long-term debt and accrued dividends on preferred shares of subsidiaries	5,652,000	4,071,000
Income taxes	9,059,000	9,530,000
Deposits and other current liabilities	43,355,000	43,710,000
Total current liabilities	247,774,000	266,696,000
Long-term debt (excluding current maturities)	461,765,000	436,721,000
Other liabilities:		
Liability for pension plans	11,868,000	11,501,000
Deferred income taxes	13,490,000	10,168,000
Unearned revenues and miscellaneous non-current liabilities	12,170,000	8,550,000
Total other liabilities	37,528,000	30,219,000
Contributions and advances for construction	32,977,000	31,958,000
Minority interest in net assets of consolidated subsidiaries	114,158,000	113,480,000
Shareholders' equity	328,716,000	317,789,000
Total liabilities and shareholders' equity	$1,222,918,000	$1,196,863,000

The June 30, 1970 financial statements in this report are based on the companies' accounts without audit. The December 31, 1969 financial statements have been restated in U.S. currency and reflect certain other reclassifications.

The Corporation provides financial statements to its shareholder's on a quarterly basis, and it is not its practice to include in such financial reports a Comparative Statement of Source and Application of Funds. A Statement of Consolidated Source and Application of Funds for the year ended December 31, 1969 (the latest completed financial year of the Corporation), with comparative figures for the preceding year, is contained in the Corporation's 1969 Annual Report to Shareholders.

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Interim Report to Shareholders
International Utilities Corporation

200 University Avenue, Toronto 1, Ontario, Canada

as of June 30, 1970

IU

To The Shareholders:

Net income from operations and earnings per share from operations set new records in the second quarter and in the six month period ended June 30, 1970, continuing the trend that was established in the fourth quarter of 1969.

Reflecting this continuing improvement and the prospects for the year, the Board of Directors voted, effective with this September 1 payment, an increase in the annual dividend rate to $1.40 U.S. The previous rate had been $1.40 Canadian which resulted in a payment of $1.29 U. S. in 1969. This is the 26th consecutive year of uninterrupted increases in the annual dividend payout.

Net income from operations (products and services) in the quarter ended June 30, 1970, increased to $8,234,000, or 57¢ per share, from $5,264,000, or 38¢, in the second quarter of 1969. For the six months ended June 30, 1970, net income from operations was $17,431,000, up 28% from $13,597,000 in 1969. Per share earnings rose 21% to $1.23 from $1.02.

We look for a continuation of the first-half earnings trend through the remainder of the year 1970.

Second quarter revenues rose 16% to $219.3 million from $189.7 million, while for the half they increased 18% to $422.4 million from $357.4 million. The 1970 figures are new highs.

No income from capital gains was recorded in the second quarter and instead a reserve was established against possible securities losses, including our holdings of 500,000 shares of Penn Central common stock. The net effect of this is to cancel the capital gain of 26¢ a share from the disposition of properties and investments reported in the first quarter of 1970. Total net income in the six months ended June 30, 1970, was $17,441,000, or $1.23 per share — all but $10,000 from operating income — a decline from the first half of 1969 when we reported a total of $19,075,000, or $1.43 per share, made up of $13,597,000, or $1.02, of operating income and $5,478,000, or 41¢ per share, of capital gains. Per share figures are based on an average of 13,768,000 shares outstanding compared with 12,471,000 in the first half of 1969.

Over the years, IU maintained an extensive portfolio of marketable securities. The primary purpose of this portfolio was to provide a source of liquidity, particularly during periods of tight money. The portfolio has admirably fulfilled this need during the money crunch of the past two years and all the large blocks of securities, except the Penn Central, were liquidated at satisfactory profits. In the light of the diminished role of the portfolio of marketable securities, a portion of the portfolio has been transferred to the investments section of our balance sheet.

Effective with this report IU's financial reporting has been changed from Canadian to U. S. currency. This change stems from the decision of the Canadian government to permit its currency to float in the international money market.

As you can see from the table on Sources of Net Income and Revenue, the improvement in our operating income continues to come from the record performance of our ocean shipping subsidiary, Gotaas-Larsen, and a marked improvement in the industrial group. While the slowdown of the economy has had some adverse impact on industrial revenues, this has been more than offset by tighter management and cost controls. The liquidation of the securities portfolio has resulted in lower dividend and interest income and a corresponding decline in income from parent company ventures.

A number of steps have recently been taken to further strengthen our management. Three new posts were created to oversee all the major operations of our business. Mr. H. Irgens Larsen, 61, was named Senior Vice President — Ocean Shipping; Mr. Murray E. Stewart, 43, was named Senior Vice President — Utilities, and Mr. J. G. Rubenstein, 40, was named Senior Vice President — Industrials and Services. A year ago Mr. John T. Jackson was named Senior Vice President —Staff. All four of these men were formerly IU group vice presidents and each now reports directly to the President. Mr. Robert F. Calman, 38, has been elected Vice President —Finance and Treasurer. Before joining IU in May, 1970 Mr. Calman was Treasurer of the North American and International divisions of Mobil Oil Corp.

New Chief Executive Officers also were named for three operating companies, all from within the IU organization. They are Mr. J. Edgar Spielman, 46, President of Farmbest, Inc.; Mr. Jack Bayer, 48, President of Kaiser-Nelson Steel & Salvage Corp.; and Mr. Walter L. Moore, 43, President of Unijax, Inc. Mr. Moore succeeds Mr. C. Graham McGehee, 43, who was named Chairman of Unijax and a Vice President of IU with regional responsibilities in the southeastern part of the United States.

The death on June 14 of Mr. Paul A. Garrison, 42, Group Vice President — Industrials and Chairman of the Board of Walworth, is a loss deeply felt by his colleagues and associates. He has been succeeded on the Walworth Board by Mr. Rubenstein and his position as Group Vice President will be filled shortly.

In May IU's Common, Special Series A, and $1.32 Preferred stocks were listed on the Pacific Coast Stock Exchange in response to growing interest in our securities among West Coast investors.

On August 25, 1970, the Directors of Pacific Intermountain Express, a transcontinental truck line with annual operating revenues of $144 million, voted to accept our offer to exchange the 1,909,000 Common shares of PIE for a new issue of IU Preferred stock paying a dividend of $1.25 and convertible into 8/10 a share of IU Common. We still require the approval of the PIE stockholders, the Interstate Commerce Commission, and other regulatory bodies, but this transaction, if finally consummated, will be a major step forward for IU.

A quarterly dividend of 35¢ per common share and the regular quarterly dividends on preferred shares, all in U. S. funds, were declared payable September 1, 1970, to shareholders of record August 7, 1970. A cheque is enclosed if you own securities which pay a cash dividend. Common shareholders in Canada are being paid in Canadian currency at the exchange rate of $1.019 Canadian for each $1.00 U. S.

John M. Seabrook
Chairman and President

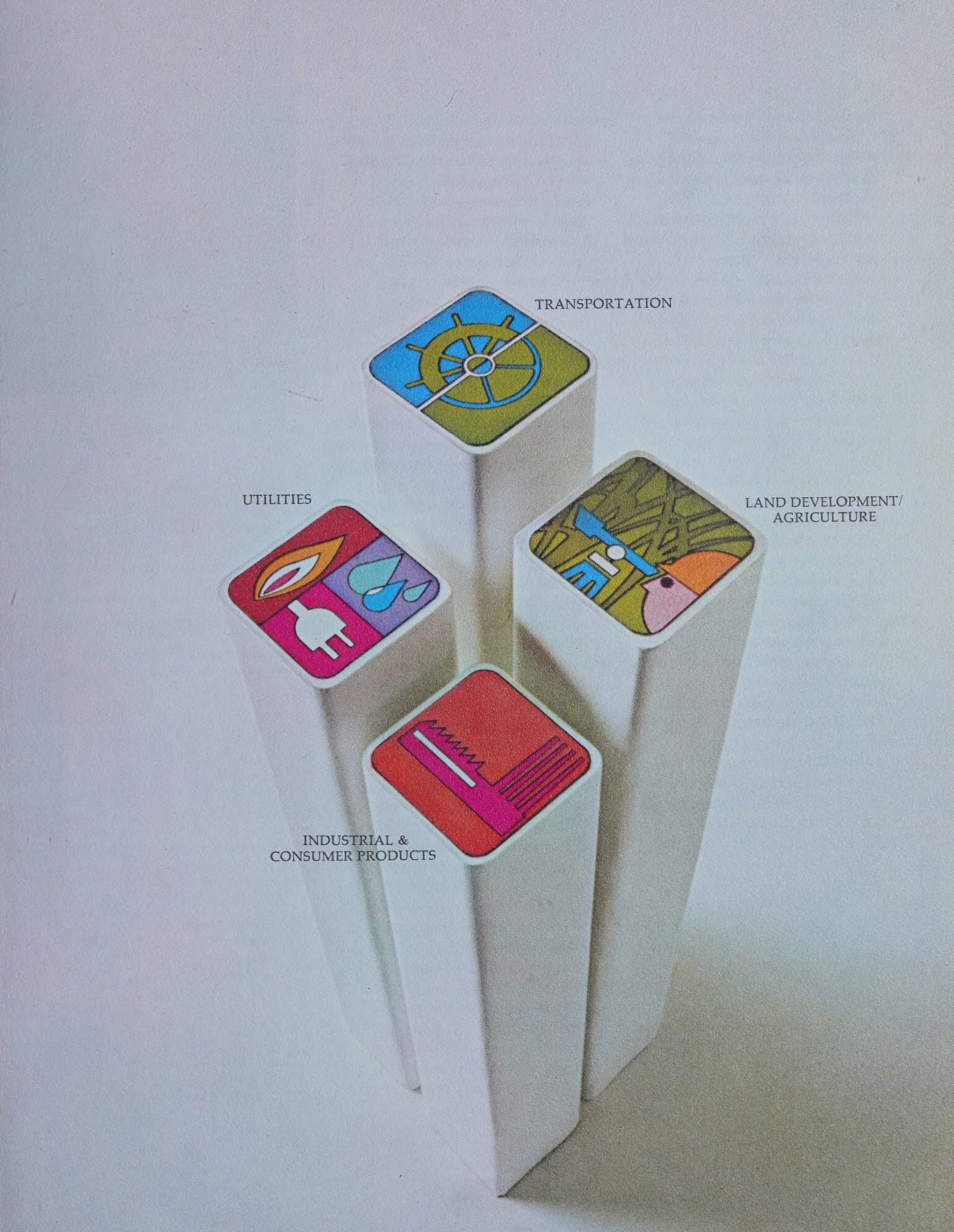
August 25, 1970

Sources of Net Income and Revenue (U.S. currency — in thousands)

	Income*				Revenue			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	1970	1969	1970	1969	1970	1969	1970	1969
Transportation:								
Sea	$4,217	$ 982	$ 8,442	$ 2,384	$ 22,116	$ 9,878	$ 39,339	$ 19,405
Land	387	550	745	862	25,275	24,019	49,487	47,582
	4,604	1,532	9,187	3,246	47,391	33,897	88,826	66,987
Utilities:								
Northwestern Utilities	438	391	2,607	2,666	6,565	5,670	16,887	16,338
Canadian Western	371	251	1,670	1,828	5,575	4,692	13,986	13,945
Canadian Utilities	583	660	1,290	1,510	4,838	3,829	10,189	8,184
Northland Utilities	127	136	550	607	2,058	1,661	4,793	4,301
General Waterworks	1,010	650	2,048	2,046	7,742	6,365	15,692	13,680
	2,529	2,088	8,165	8,657	26,778	22,217	61,547	56,448
Industrials	1,324	933	2,110	938	79,173	69,099	147,190	129,243
Services**	668	404	1,033	1,058	4,694	6,815	8,474	14,344
Controlled Major Affiliates:								
Brewer—54% owned***	472	1,169	1,140	900	40,682	36,667	75,802	48,322
Walworth—55% owned	(45)	(75)	(1,010)	(169)	17,408	17,291	32,232	32,788
Parent Company Ventures	(1,318)	(787)	(3,194)	(1,033)	3,163	3,693	8,364	9,242
Total Revenue					$219,289	$189,679	$422,435	$357,374
Total Net Income								
Products and Services	8,234	5,264	17,431	13,597				
Disposition of Properties and Investments	(3,619)	1,939	10	5,478				
	4,615	7,203	17,441	19,075				
Preferred Dividend Requirement	(250)	(575)	(523)	(1,161)				
Net Income After Preferred Dividend	$4,365	$6,628	$16,918	$17,914				

*Contribution to International Utilities
**1969 figures include U.S. TAS operations sold as of December 31, 1969
***Operations included as of February 1, 1969

International Utilities Corporation Forty-Sixth Annual Report 1970



John M. Seabrook,
Chairman and President

To the Shareholders:

Nineteen-seventy was an excellent year for the company in almost every aspect of the business.

New highs were set in revenues, in net income from operations, and in per share earnings from operations.

Net operating income rose to $34.2 million, or $2.40 a share, from $24.3 million, or $1.80 a share, in 1969. This is a gain of 41 per cent in operating income and 33 per cent in earnings per share. Revenues increased 18 per cent to $867 million from $738 million a year earlier.

Gains from the disposition of properties and investments in 1970 were only $338,000, or two cents a share, down from $10.9 million, or 81 cents a share, in 1969. The total of operating income and capital gains was $34.5 million, or $2.42 a share, in 1970 versus $35.2 million, or $2.61 a share, in 1969. The average number of common and common equivalent shares outstanding in 1970 was 13,811,000, up from 12,660,000 a year earlier.

The Ocean Shipping, Utilities, Land Transportation and Industrial groups all had improved earnings in 1970, but the contributions from Walworth and C. Brewer, both partially owned, declined. The rapid rise of income from Ocean Shipping overshadowed all the other improvements.

The delivery during 1970 of a number of ships ordered several years ago increased by about 42 per cent the tonnage of our fleet, and our Ocean Shipping subsidiary, Gotaas-Larsen, was thus in a position to benefit from the high charter rates offered by the major oil companies of the world. Firm charters at these rates have been obtained for a substantial proportion of our fleet covering the next five years, and several of our largest ships are now chartered until 1980.

Our Land Transportation group reported a 19 per cent rise in earnings, a notable performance in the face of a strike, a 15 per cent wage increase, and a soft economy.

During the year shareholders voted the acquisition of Pacific Intermountain Express Co., a major U.S. motor carrier, subject to the approval of various regulatory agencies. Such approvals are not expected before late 1971.

The Utilities group was up 15 per cent despite the impact of higher wage and interest costs.

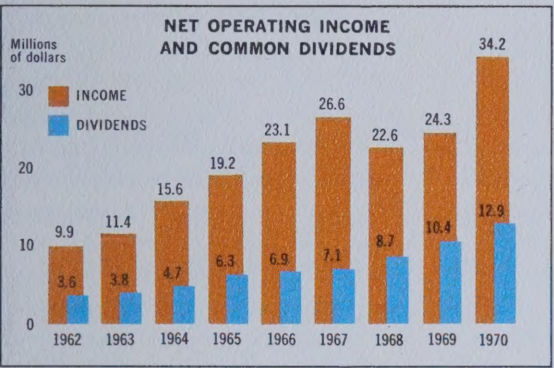
The Industrial group's profits in 1970 were 67 per cent better than in 1969. The 55 per cent-owned Walworth Co. is reported separately from the rest of the Industrial group. IU's share of the Walworth loss was $2.1 million in 1970, slightly more than the 1969 loss.

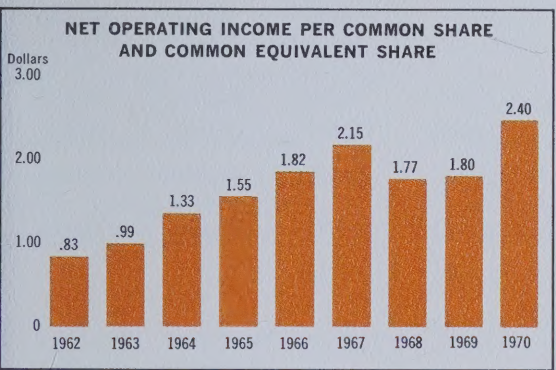
The 54 per cent-owned Hawaiian affiliate, C. Brewer, reported lower overall earnings, but profits from its agricultural activities were up. The decline in Brewer's profitability was due to lower land sales from its holdings in Puerto Rico. The major land development program in Hawaii has not yet had an impact on earnings.

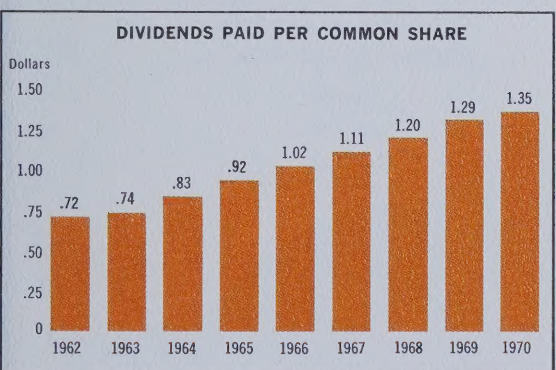
Revenue and Net Income

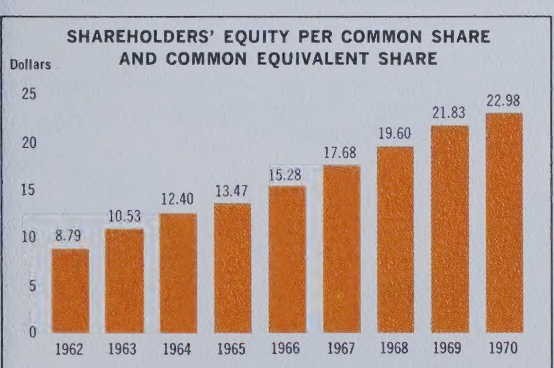
(in thousands of dollars except per share data)

	1970	1969
Sales and revenue	$867,112	$737,967
Net income:		
Operations	34,159	24,270
Properties and investments	338	10,891
	34,497	35,161
Preferred dividends	1,022	2,091
Balance for common and common equivalents	$ 33,475	$ 33,070
Per average share:		
Operations	$ 2.40	$ 1.80
Properties and investments	.02	.81
Net income	$ 2.42	$ 2.61
Average shares	13,811	12,660









A detailed breakdown by group of our sources of income and revenue is shown in the table on page 4 of this report. Elsewhere in the text there is a description of the operations and the profit performance of each group.

Effective June 30, 1970, IU's financial reporting was changed from Canadian to U.S. currency. This change stems from the decision of the Canadian government to permit its currency to float in the international money market. U.S. dollar figures are used throughout this report.

Reflecting the continuing improvement in operating profit, the Board of Directors voted, effective with the September 1, 1970 payment, an increase in the annual dividend rate to $1.40 U.S. The previous rate had been $1.40 Canadian which resulted in a payment of $1.29 U.S. in 1969. This is the 26th consecutive year in which the annual dividend payout per share has increased.

During the year 1970 our gas and electric subsidiaries sold, mostly in Canada, long-term debt issues totaling $18.7 million, and $8.7 million was raised by an equity issue to existing shareholders. Late in 1970 the water utilities were reorganized into a separate subsidiary for utilities only. This new General Waterworks Corp. expects to finance its continued expansion by the sale, mostly in the U.S., of $25 to $30 million of long-term debt during 1971.

The medium-term debt of certain other subsidiaries was reduced and refinanced during 1970 so as to eliminate the 1972 bulge that previously appeared in the consolidated schedule of debt maturities.

Corporate liquidity has improved markedly over the past 18 months. Bank loans, which reached a peak of $185 million at September 30, 1969, were reduced to $74 million at September 30, 1970, and to $55 million at December 31, 1970. Since we are borrowing much less short-term money than we were in 1968 and 1969 when interest rates were rising, the drop in short-term rates has not been as important to our profits as it might have been, but it is still very welcome.

Capital spending is expected to total $125 million in 1971, down from $130 million in 1970. Two-thirds of this will come from internal sources, with the remainder to be raised by utility and shipping subsidiary long-term financing.

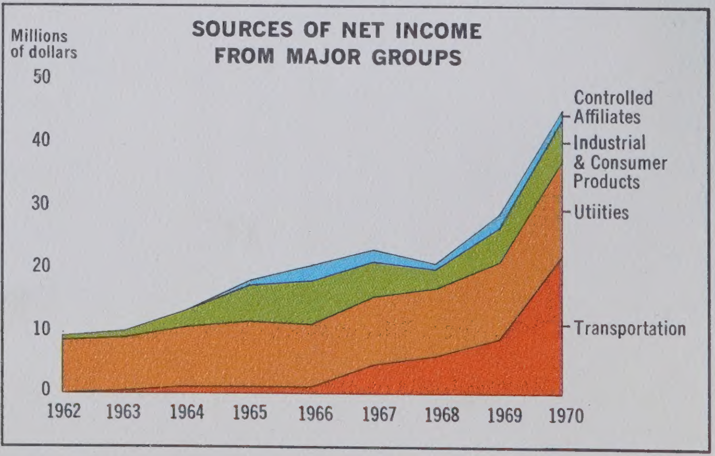
Formerly IU maintained a portfolio of marketable securities, the primary purpose of which was to provide a ready source of cash. During the money crunch almost all the securities were liquidated. A natural consequence of the discontinuance of the portfolio was

Sources of Net Income and Revenue

(in thousands)

	Income* 1970	Income* 1969	Revenue 1970	Revenue 1969
Ocean Shipping	$ 20,105	$ 6,500	$ 87,635	$ 46,125
Land Transportation	2,303	1,943	102,950	94,763
Utilities	14,357	12,451	119,147	103,778
Industrial & Consumer Products	5,672	3,397	306,696	273,795
Services	1,481	1,824	8,093	13,740
Controlled major affiliates:				
Brewer—54% owned	3,082	4,165	154,511	114,142
Walworth—55% owned	(2,082)	(2,027)	64,607	66,901
Corporate investment income	2,354	3,864	10,549	10,341
Ventures	(2,321)	136	12,924	14,382
Corporate expenses, principally interest	(9,348)	(7,983)	—	—
Foreign exchange adjustments	(1,444)	—	—	—
Total Revenues			$867,112	$737,967
Net income:				
Operations	34,159	24,270		
Disposition of properties and investments	338	10,891		
	34,497	35,161		
Preferred dividend requirement	1,022	2,091		
Balance applicable to common shares and common equivalent shares	$ 33,475	$ 33,070		
Average common and common equivalent shares	13,811	12,660		

*Contribution to International Utilities



a drop in investment income. With the diminished role of the portfolio, the Investment Advisory Board was disbanded in 1970 with thanks for the excellent service its members have rendered IU over the years.

In response to increased investor interest, IU equity securities were listed on the Pacific Coast Stock Exchange in May, 1970, and in January, 1971, on the London Stock Exchange. We have applied for a listing on the Amsterdam Stock Exchange as a result of the interest of shipping investors. Trading there in Certified Depository Receipts, a form of bearer shares, is expected to commence in May, 1971.

The sale of our U.S. communications business to Western Union International for about $20 million in cash and securities, and the sale of our insurance brokerage operations to Frank B. Hall & Co. for securities valued at about $17.7 million were both completed during the year. These sales were in furtherance of our policy of concentrating our management effort in fewer and larger fields.

Mr. John C. Dale retired from the IU Board in late 1970 in order to accept a World Bank appointment to rebuild and improve the electric utility system of East Pakistan. Mr. Dale gave 41 years of fine service to our utility systems. He will be sorely missed, and we wish him well in his important new endeavors.

A chart in the text illustrates the dynamic change in the composition of our earnings over the past decade. These improvements in our income mix are the result of careful long-range planning. IU has had a remarkable record of growth in net income and, more importantly, in earnings per share from operations, as the other charts illustrate.

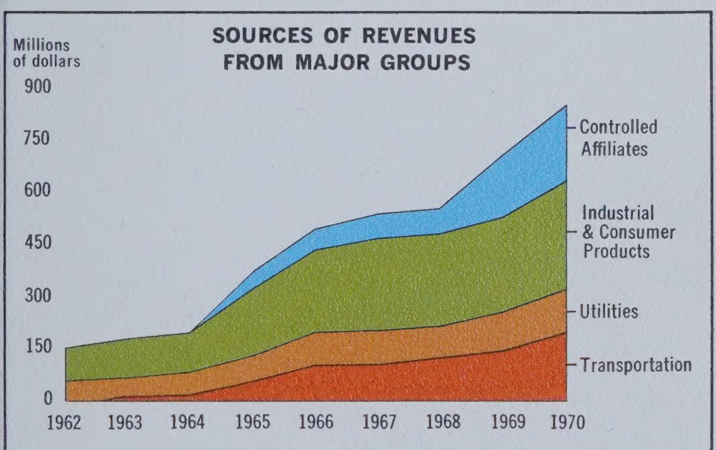
In the nine years for which pooled data is available net operating income more than tripled; operating earnings per share nearly tripled; total common dividend payments more than tripled; dividends per share nearly doubled; and shareholders' equity per share more than doubled. Over these nine years earnings per share from operations increased at a compound annual rate of over 14 per cent.

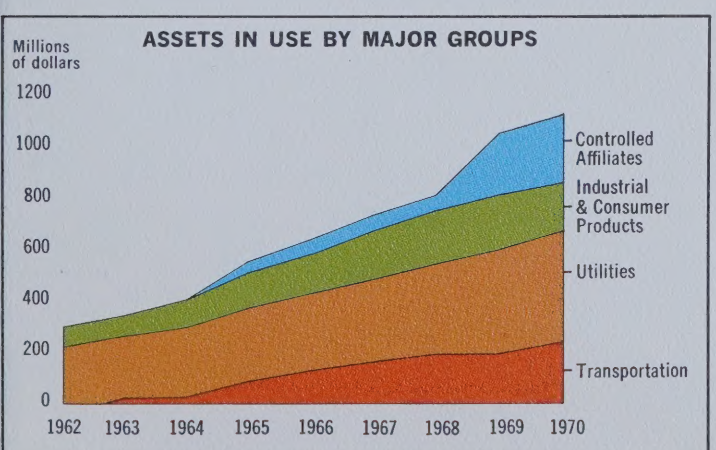
The strong performance of 1970, when earnings per share from operations grew by 33 per cent, is expected to continue throughout 1971.

John M Seabrook

John M. Seabrook
Chairman and President

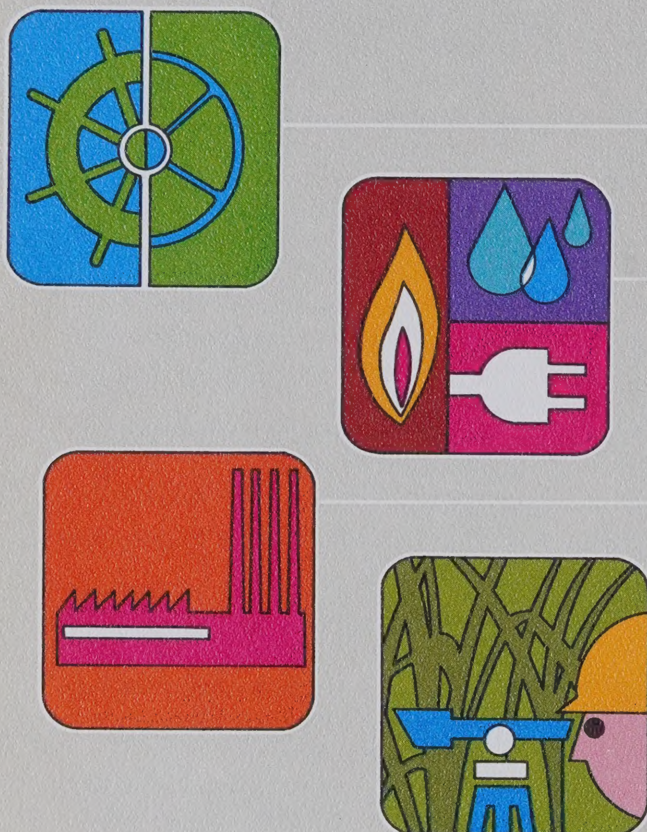
March, 1971





Comparative Historical Financial Dat

(Adjusted for poolings of interests)*
(Stated in U.S. currency)
(In thousands except per share data)



Sales and revenues:
Ocean Shipping . . . .
Land Transportation . . . .
Utilities . . . .
Industrial & Consumer Products . . . .
Services . . . .
Controlled major affiliates:
Brewer—54% owned . . . .
Walworth—55% owned . . . .
Other corporate ventures . . . .
Total Revenues . . . .
Net income:
Operations . . . .
Disposition of properties and investments . . . .
Net income . . . .
Net income per average common share and common equivalent share (1):
Operations . . . .
Disposition of properties and investments . . . .
Net income . . . .
Dividends per common share . . . .
Common shares and common equivalent shares—used in computing net income per share data (2) (3) . . . .
Shares outstanding—year-end:
Special Stock, Series A (2) . . . .
Common (3) . . . .

(1) See note 10 to the financial statements.
(2) 1966 and prior years adjusted for subsequent stock dividen
(3) 1962 adjusted for the two-for-one stock split in May 1963.

1970	1969	1968	1967	1966	1965	1964	1963	1962
$ 87,635	$ 46,125	$ 38,062	$ 33,020	$ 24,775	$ 19,652	$ 17,679	$ 5,238	$ —
102,950	94,763	83,957	64,414	74,663	33,264	—	—	—
119,147	103,778	93,650	88,341	82,691	76,819	70,380	64,973	61,310
306,696	273,795	260,817	240,497	235,445	212,049	108,673	95,203	90,347
8,093	13,740	23,893	21,786	15,853	10,590	5,343	2,885	2,781
154,511	114,142	—	—	—	—	—	—	—
64,607	66,901	67,525	69,250	63,263	47,400	—	—	—
23,473	24,723	23,444	12,889	7,832	5,540	4,104	3,860	2,880
$867,112	$737,967	$591,348	$530,197	$504,522	$405,314	$206,179	$172,159	$157,318
$ 34,159	$ 24,270	$ 22,562	$ 26,607	$ 23,074	$ 19,233	$ 15,607	$ 11,368	$ 9,916
338	10,891	12,113	7,554	10,188	2,842	2,930	5,126	1,772
$ 34,497	$ 35,161	$ 34,675	$ 34,161	$ 33,262	$ 22,075	$ 18,537	$ 16,494	$ 11,688
$ 2.40	$ 1.80	$ 1.77	$ 2.15	$ 1.82	$ 1.55	$ 1.33	$ .99	$ .83
.02	.81	.95	.61	.81	.23	.25	.44	.14
$ 2.42	$ 2.61	$ 2.72	$ 2.76	$ 2.63	$ 1.78	$ 1.58	$ 1.43	$ .97
$ 1.35	$ 1.29	$ 1.20	$ 1.11	$ 1.02	$ .92	$ .83	$ .74	$ .72
13,811	12,660	11,727	11,209	11,421	11,543	10,224	9,921	9,705
3,544	4,188	4,188	4,876	4,609	4,489	4,220	4,249	4,235
9,827	9,025	7,788	6,560	6,457	6,845	6,747	5,607	5,010

*At the time of the 1968 merger with General Waterworks Corporation, historical financial data was adjusted to reflect the pooling of interests for the six prior years only. Accordingly, the above financial comparison commences with 1962.


RYDER TRUCK LINES
YIELD
RYDER
962 CH.MARGAUX
Vacations

In 1970 Ocean Shipping emerged as the largest contributor to company earnings.

Since IU acquired Gotaas-Larsen, a medium-size, well-managed and profitable bulk shipping operation, its development has been dramatic. Acquired for $13 million in 1963, Gotaas-Larsen operated or had a-building some 350,000 deadweight tons (dwt) of shipping capacity. By the end of 1970 the company operated 47 vessels totaling 3.2 million dwt and had on order an additional 14 ships aggregating more than a million dwt. This compared with 37 ships and 2.25 million dwt at the close of 1969, a rise of 42.2 per cent.

This increase in tonnage and higher bulk cargo and tanker rates contributed to the rise in Gotaas-Larsen's earnings in 1970 to $20.1 million from $6.5 million a year earlier. Revenues rose to $87.6 million from $46.1 million. The full impact of this additional tonnage as well as newbuildings will become evident over the next several years.

Equally significant is Gotaas-Larsen's concentration on supertankers, an industry trend accelerated by the closing of the Suez Canal in 1967. The company operates seven supertankers of the 200,000 dwt class and three 100,000 dwt class vessels totaling nearly 1.8 million dwt. By the end of 1974 four additional 216,000 dwt tankers and two 153,000 dwt oil/ore carriers will bring the company's supertanker capacity to 2.8 million dwt.

The economic leverage of the larger tankers is reflected in the comparative operating costs of a 56,000 dwt ship and a 216,000 dwt vessel—75 to 85 cents a ton per month for the smaller vessel; 40 to 45 cents for the larger.

When market conditions are right Gotaas-Larsen augments its owned fleet by chartering in vessels for medium to long-term periods. Generally this is done to bridge the lead-time between contracting and delivery of a newbuilding tanker. At other times, long-term inward charters are made when rates are such as to assure rechartering at profitable levels. Gotaas-Larsen is one of the few independent fleet operators with a credit standing among owners and financiers sufficient to attract in-charters of this magnitude.

Gotaas-Larsen has continued to pursue a policy of leasing the largest part of its tanker tonnage to international oil companies on time charters scheduled to expire at varying dates so that the company is not under pressure to fix several ships during any one period. At the end of 1970, some 93 per cent of the company's tonnage was chartered for 1971, while 75 per cent was fixed for 1972, 59 per cent

for 1973, and 48 per cent for 1974. Most of this tonnage was fixed in mid-1970 at excellent rates.

The increase in worldwide energy demand and the continuing blockage of the Suez contributed to the increase in tanker rates during 1970.

Longer-term prospects for tanker rates reflect the fact that tanker capacity barely is keeping pace with growing worldwide oil consumption. As a result, worldwide shipbuilding capacity for large tankers has been booked through 1974, prices for new ships rose as much as 80 per cent in 1970, and financing terms became less favorable. With a tanker fleet averaging less than four years old and built at pre-boom prices on excellent credit terms, Gotaas-Larsen is in a strong competitive position for the foreseeable future.

The outlook for tanker rates also reflects the composition of world oil traffic. More than half of all shipments are from the Persian Gulf, the major source for two of the world's most oil-short areas—Western Europe and Japan. These two regions obtain the majority of their oil requirements from the Persian Gulf, and Japanese demand has been growing by about 18 per cent a year, Europe's by around 11 per cent. Over the next decade, Japan's consumption is expected to triple and Europe's to double.

Midnight buffet aboard the SS Ariadne, one of three Gotaas-Larsen cruise ships operating from Florida in the Caribbean.

World oil trade is buffeted constantly by shifting crosscurrents—political developments, new oil finds, changing route patterns, demand for low-pollutant fuels. While Suez eventually will be reopened, the passage of time and the development of the supertanker have reduced its importance to world oil trade.

Overall, long-term fundamentals suggest little significant change in the supply/demand relationships for large tankers.

Recent chartering of large blocks of tonnage through 1980 by major oil companies lends support to this view. As in past developments, Gotaas-Larsen was apace of this trend, chartering three 200,000 dwt tankers for five-year periods starting in 1974-75. Additional charters of this type are anticipated in 1971.

Looking ahead, the company is studying the technical and commercial aspects of cryogenically liquified natural gas transportation—an area likely to become the next important development in bulk ocean shipping.

The 216,000 dwt Golar Nichu, one of the new supertankers added to the Gotaas-Larsen fleet in 1970.

Continued rapid expansion in the areas served by IU's electric, natural gas and water utilities boosted revenues and profits to new highs in 1970.

With the aid of rate increases affecting electric and water operations, revenues rose a record 15 per cent to $119.1 million from $103.8 million. Profit contribution of the group was $14.4 million, up 15 per cent from $12.5 million. The full impact of rate increases granted the electric utilties was not reflected in earnings because of a rise of nearly $2 million in depreciation and interest costs associated with a major expansion of generating capacity in Alberta. Higher wages, fuel and gas supply costs and interest rates also affected the group's profitability.

Revenues of the four natural gas and electric companies serving Alberta and adjacent areas rose 15 per cent to $86.4 million from $75.2 million. Profit contribution of the Western Canadian companies was $9.5 million, a gain of 16 per cent from $8.2 million. Water revenues increased 14 per cent to $32.7 million from $28.6 million, while profits rose 13 per cent to $4.9 million from $4.3 million.

With the aid of a substantial increase in industrial sales in the Edmonton area, total gas revenues rose 9.2 per cent to $60 million. Gas sales rose 8 per cent to 187 billion cubic feet, nearly 75 per cent of the province's consumption.

Growth in electric demand maintained its strong trend, with revenues rising 30.3 per cent to $26.4 million from $20.2 million and retail sales increasing 15.6 per cent to more than 1.1 billion kwh.

While the economy of Alberta—one of the fastest growing in Canada—was affected by the 1970 business slowdown, the impact was moderated by continued expansion of the province's natural resource industries. Installation of a gas-fueled 165 megawatt generating unit by the City of Edmonton and other new industrial loads helped

to boost Northwestern Utilities' sales volume 11.8 per cent and revenues 11.1 per cent.

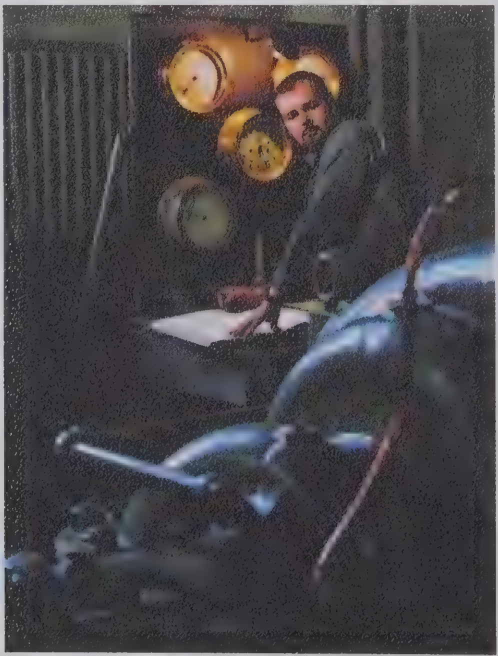
Although construction lagged early in the year in the Calgary area served by Canadian Western, a spurt near year-end pushed building permits to near-record levels and new customer connections to the second highest number in 10 years.

Gas sales were adversely affected by warm weather in 1970 following a severe winter in 1969. Degree days were 6.5 per cent below a year earlier.

Under the pressure of higher costs for labor, material and money, Canadian Western applied for and was granted an interim rate increase, averaging about 10 per cent, effective February 1, 1971, the company's first rise since 1961.

Demand for electricity is rising about 6.5 per cent a year in Canada and 16 per cent in the central and northern portion of Alberta served by Canadian Utilities and Northland Utilities. Alberta's power usage nearly tripled in the last decade and is expected to double again by 1980.

To keep pace with this growth, Canadian Utilities placed a 150 megawatt unit in operation at Battle River late in 1969 and installed a second 30 megawatt gas turbine in its Rainbow Lake station in 1970, doubling system capacity. A 160-mile transmission line also was constructed to augment the power supply to the Peace River area and oilfields in northern Alberta. A 150 megawatt first unit is under construction in the Grand Cache coal fields northwest of Edmonton and will be commissioned in 1972.



Supervisors check gas transmission pipeline in Alberta (above) and water purifying unit in New York (right).

These plant additions leave the electric companies in a strong position to capitalize on growing demand. However, to offset increased fixed costs and higher operating expenses, electric rates were raised about 13 per cent, the first increase in the history of the companies.

In the financial area, $27.4 million was raised via two debt issues and a rights offering.

Customers of General Waterworks increased by 5 per cent in 1970. GWC's 86 water, sewer and heating companies now serve over 340,000 customers in 18 U.S. states and one Canadian province. Growth continues strong in a number of major areas, notably Dade County, Fla., suburban Wilmington, Del., and Toms River, N.J.

About half the 11 per cent gain in 1970 revenues was attributable to additional customers and half to rate increases. Rate orders obtained in 1969-70 had an impact of about $1.7 million on 1970 revenues. GWC expects to obtain $3 million in rate orders in 1971 with an estimated $2 million impact on revenues.

Capital spending for the utilities group is expected to total $62 million in 1971, with about $25 million for electric facilities, $25 million for water and sewer plant, and the remainder for gas facilities.

High-voltage transmission towers form a pattern against the background of a brilliant Alberta sunset.

The 1968 slump in IU's industrial complex—which ranges from dairy products to heavy capital goods—led to a restructuring and revitalization of this segment of IU's business mix.

The commitment of management and capital has begun to yield results. In 1970 revenues increased to $306.7 million from $273.8 million and profits rose to $5.7 million from $3.4 million. All four segments of the group showed improvement in 1970.

Steel & Metals operations, acquired by IU in 1960 in its initial diversification move, have expanded rapidly, doubling in profits and revenues in the last five years. A similar growth pattern is expected over the next five years.

The group provides materials handling, metal recovery and slag sales services at 28 steel mills in the U.S., Canada and South America. Another unit produces ferro-silicon, an alloying agent used in the production of iron and steel.

Group revenues rose to $33 million in 1970 from $23.4 million and profits increased to $2.5 million from $1.5 million. Prospects in 1971 hinge on the possibility of a U.S. steel strike, but foreign operations provide a hedge.

The Consumer Products & Distribution group, which distributes dairy, food and paper products in the southeastern U.S., showed gains as programs were mounted to broaden the scope of activities. Revenues in 1970 rose to $178 million from $157.6 million and profits to $2 million from $1.8 million.

The entry of the dairy operation into the fast growing institutional food distribution business accounted for the bulk of the volume gain, but dairy sales were up $6 million as the result of expanded supermarket distribution.

Total food sales increased to $92.6 million from $75.3 million, with institutional volume accounting for about a third. Further expansion of institutional business is planned in 1971.

The unit which distributes fine printing and industrial papers and a broad line of industrial supplies through 21 warehouses has embarked on a program to expand into adjacent states with the aid of a computerized marketing, distribution and purchasing system. Revenues for the year rose to $85.4 million from $82.3 million.

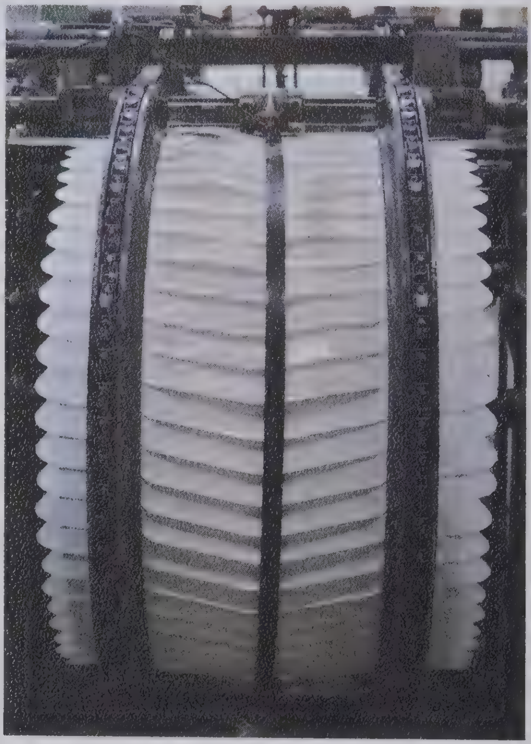
Profits of the Process Industries group increased to $1.3 million from $500,000 and revenues to $52.6 million from $48.9 million despite a two-month strike at one facility. Gains were made in the manufacture of refrigeration equipment for the food industry and the fabrication of pressure piping for the petroleum and energy industries.

Walworth, a maker of valves, is included in the Process Industries group but is treated separately financially because of its status as a 55 per cent-owned affiliate. Continuing problems and a drop in fourth-quarter sales resulted in substantial losses for the second straight year. IU's share of the 1970 loss was $2.1 million, compared with $2 million in 1969. Under a new chief executive officer named early in 1971, Walworth will concentrate its efforts on fewer, higher-profit lines, reorganization of production facilities, tighter controls, and an intensive cost reduction program.

The Housing & Construction group showed a loss of $60,000 in 1970 after losing $434,000 in 1969. A major factor in the improvement was the turnaround in steel fabrication and erection, which reported a small profit in 1970 after suffering a heavy loss in 1969. Revenues were $43.1 million, down from $43.9 million. Production facilities for water heaters and enamelware were consolidated in a modern plant in Middleville, Mich.

Service activities consisting of a telephone answering network in Canada and insurance brokerage, reported income of $1.5 million, down from $1.8 million, reflecting the sale of U.S. TAS facilities effective at the end of 1969. The insurance brokerage business was sold at the end of 1970 in exchange for 775,000 shares of Frank B. Hall & Co., a major brokerage firm. The Canadian TAS group continues to expand its operations and is diversifying into a number of related service areas.

Ventures, encompassing such areas as natural resources, real estate and special situations, showed a loss of $2.3 million, compared with a profit of $136,000 in 1969. This reflects operating losses in a number of developmental businesses, particularly in offshore engineering and construction. In the first quarter of 1971, agreement was reached in principle to sell the latter business. Silver mining operations continued to be profitable, and the main shaft was extended another 450 feet to 850 feet below ground. Production totaled 2.6 million ounces in 1970, and indicated reserves exceed two years.



High-speed packaging unit forms, fills and seals milk cartons (above). Envelope folding machine gums flaps, die cuts windows and inserts cellophane (left).

Molten steel slag is processed for removal of metallics for recycling. Slag is sold as aggregates for use in construction, eliminating unsightly waste piles.

Mauna Loa, rising 30,000 feet from the ocean floor, the greatest mountain mass in the world, frames the landscape to the west. To the east, crashing surf, gentle coves, the blue Pacific swelling to the horizon.

This is Ka'u, a vast, unspoiled area stretching some 30 miles along the southeast coast of the Big Island of Hawaii.

It is here in 1971 that IU's 54 per cent-owned affiliate, C. Brewer and Co., Ltd., will launch an eight-year $300 million land development program after years of intensive preparation.

Start of the program marks Brewer's transition from its historic base in agriculture. Under a reorganized management structure, Brewer is focusing its efforts on optimizing the return on its principal asset—land, 145,000 acres owned outright and 135,000 additional acres held in leases.

To get the land program started in 1971, some $20 million will be spent on four projects in Ka'u and nearby Hilo. To enhance Hilo as a new gateway to Hawaii, a low-rise 300-unit resort village will be built at picturesque Waiakea Pond, with exotic landscaping, entertainment areas and a multi-culture marketplace.

Little more than an hour's drive south in Ka'u will be an 18-hole golf course and two villages along the coast, Ninole and Punaluu. Ninole Cove Village will be a complex of 400 condominium and hotel units in two-story cottages clustered around natural fresh-water lagoons. At the adjacent black sand beach of Punaluu, initial emphasis will be on a restaurant and commercial complex, to be followed by a 240-unit hotel planned to start in 1973. The initial phase of this part of the program is scheduled for completion in 1972.

Midway between Hilo and Ka'u is Brewer's historic Volcano House, perched on the rim of smoking Kilauea crater in the Volcanoes National Park. Nearby is the company's Volcano Golf & Country Club with its 18-hole course.

The three areas will form a regional resort complex reaching some 75 miles to the southern tip of the 1,000-mile long Hawaiian chain. Here, where the Polynesians first set foot in the islands, a fishing village will be built in a later stage of the program.

Creation of these resorts is expected to result in increased land values in an area now only sparsely populated.

To develop its land management capabilities, Brewer in 1970 built a full-service real estate organization, with brokerage, marketing, property management, planning, design and construction operations. In combination with the MacKenzie Travel Organization, acquired in 1969, Brewer now is in a position to maximize its opportunities in land development, real estate, travel and tourism.

In its agricultural operations, Brewer benefited in 1970 from higher payments for sugar, averaging $155 a ton, up from $145. Profits from sugar operations increased 33 per cent despite widespread drought conditions and a prolonged refinery strike. A number of major improvements are underway to increase the efficiency of plantation and mill operations.

A total of 1,600 acres containing some 110,000 macadamia trees is under cultivation and the 1970 nut crop increased to 590,000 pounds in the shell, a rise of nearly 50 per cent.

The smallest of Brewer's sugar plantations on Kauai will be phased out with the current crop. In early 1971 Brewer entered into a joint venture with American-Hawaiian Developement Co. to develop alternative uses for the 9,300-acre plantation.

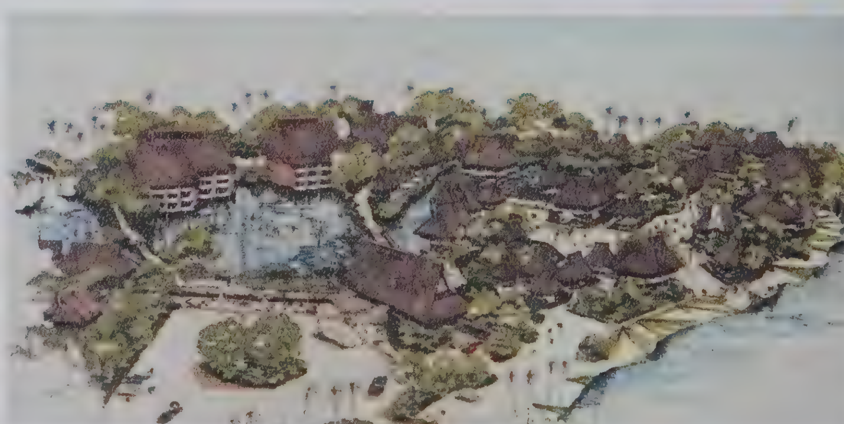
Earnings in 1970 declined to $7.5 million from $10.2 million as the result of lower profits from Puerto Rican land sales. However, profits from agricultural and related activities rose to $3.7 million from $1.9 million. Profit contribution to IU was $3.1 million, down from $4.2 million. Half of the 1970 profit contribution arises from Puerto Rican land sales, after providing for a writeoff of $866,000 of excess purchase price allocated to Brewer's land.

The sale of 11,600 acres of land in 1970 to the government of Puerto Rico reduced Brewer's holdings there to about 1,200 acres, which will be liquidated over the next few years.

Revenues increased to $154.5 million from $114.1 million, reflecting the acquisition in late 1969 of Czarnikow-Rionda, a New York-based sugar merchant organization.

Ka'u district on the Big Island of Hawaii, looking north, showing Ninole Cove in the center and the black sand beach of Punaluu.

Conceptual master plan for Ka'u district on Hawaii, part of the area pictured on opposite page (above). Rendering of Waiakea Pond resort in Hilo, Hawaii, scheduled for completion in 1972 (right).



Statement of Consolidated Income

for the year ended December 31, 1970 with comparative figures for 1969
(Stated in thousands of U.S. dollars—note 1)

	1970	1969
Sales and revenues:		
Transportation	$190,585	$140,888
Utilities	119,147	103,778
Industrials and services	314,789	287,535
Controlled major affiliates:		
Brewer—54% owned (including land sales 1970—$5,934; 1969—$8,834)	154,511	114,142
Walworth—55% owned	64,607	66,901
Other corporate ventures (including interest and dividends 1970—$10,549; 1969—$10,341)	23,473	24,723
	867,112	737,967
Costs and expenses:		
Cost of sales and revenues	602,465	512,492
Selling, general and administrative expenses	125,945	111,530
Depreciation and amortization	41,029	36,712
Interest on long-term debt	29,791	17,700
Other interest	10,985	15,022
Provisions for income taxes (note 8):		
Current	14,751	9,405
Deferred	2,207	4,125
Minority interests	5,780	6,711
	832,953	713,697
Net income:		
Operations	34,159	24,270
Disposition of properties and investments after deducting in 1970 $9,500 as a provision for possible losses, less income taxes, 1970—$2,141; 1969—$3,839	338	10,891
Net income	34,497	35,161
Dividend requirement on preferred stock	1,022	2,091
Balance applicable to common shares and common equivalent shares	$ 33,475	$ 33,070
Per average common share and common equivalent share after preferred dividends allocated proportionately between sources of net income (note 10):		
Primary:		
Net income—operations	$ 2.40	$ 1.80
Net income—disposition of properties and investments	.02	.81
Net income	$ 2.42	$ 2.61
Fully diluted:		
Net income—operations	$ 2.07	$ 1.48
Net income—disposition of properties and investments	.02	.66
Net income	$ 2.09	$ 2.14

See accompanying notes to financial statements.

Consolidated Balance Sheet

as of December 31, 1970 with comparative figures for 1969
(Stated in thousands of U.S. dollars—note 1)

	1970	1969
ASSETS		
Current assets:		
Cash	$ 39,857	$ 49,907
Marketable securities, at cost (market value $937—1970)	1,127	60,698
Accounts receivable, less allowances	141,896	146,428
Inventories (note 2)	101,953	110,101
Prepaid expenses and other current assets	16,185	14,404
Total current assets	301,018	381,538
Investments (note 3)	161,271	108,606
Property, plant and equipment, at cost (note 4)	1,045,550	952,409
Less accumulated depreciation and amortization	307,468	284,464
Net property, plant and equipment	738,082	667,945
Deferred charges, less amortization	15,757	12,575
Operating rights and other intangibles, net (note 5)	31,367	26,199
Total assets	$1,247,495	$1,196,863
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Long-term debt—current maturities	$ 50,524	$ 28,823
Notes payable	54,882	86,784
Accounts payable and accrued liabilities	68,645	97,850
Income taxes	19,835	9,529
Other current liabilities	50,808	43,710
Total current liabilities	244,694	266,696
Long-term debt, excluding current maturities (note 6)	473,324	436,720
Other liabilities	22,190	20,050
Deferred income taxes (note 8)	16,443	10,169
Contributions and advances for construction	35,856	31,959
Minority interest in subsidiaries	118,410	113,480
Shareholders' equity (note 9):		
Series preferred stock	19,336	22,157
Series preference stock	70,370	81,163
Common stock	25,130	23,261
Additional paid-in capital	64,058	52,261
Retained earnings (note 6)	165,701	145,789
	344,595	324,631
Less shares in treasury, at cost	8,017	6,842
Total shareholders' equity	336,578	317,789
Total liabilities and shareholders' equity	$1,247,495	$1,196,863

See accompanying notes to financial statements.

Statement of Consolidated Additional Paid-In Capital

for the year ended December 31, 1970 with comparative figures for 1969
(Stated in thousands of U.S. dollars—note 1)

	1970	1969
Amount at beginning of year (1969—$21,488 Canadian)	$ 52,261	$ 19,647
Add:		
Capital in excess of par or stated value of shares issued upon:		
Conversion of bonds of a subsidiary into common stock of the Corporation	66	698
Conversion of preferred stock into common and Special Stock, Series A	276	29,567
Conversion of Special Stock, Series A into common	11,141	1,603
Exercise of employees' stock options	302	81
Portion of proceeds of bonds issued by a subsidiary assigned as the value of attached stock purchase warrants	—	655
Other adjustments, net	12	10
Amount at end of year	$ 64,058	$ 52,261

Statement of Consolidated Retained Earnings

for the year ended December 31, 1970 with comparative figures for 1969
(Stated in thousands of U.S. dollars—note 1)

	1970	1969
Amount at beginning of year (1969—$134,779 Canadian)	$145,789	$123,815
Net income	34,497	35,161
	180,286	158,976
Deduct:		
Dividends:		
Preferred	1,017	2,203
Common (1970—$1.35; 1969—$1.29 per share)	12,850	10,397
Excess of cost of treasury stock over value of assets acquired	—	612
Other adjustments, net	718	(25)
	14,585	13,187
Amount at end of year	$165,701	$145,789

See accompanying notes to financial statements.

Statement of Consolidated Source and Application of Funds

for the year ended December 31, 1970 with comparative figures for 1969
(Stated in thousands of U.S. dollars—note 1)

	1970	1969
Funds provided:		
From operations:		
Net income	$ 34,497	$ 35,161
Add charges not requiring cash expenditure, principally depreciation and amortization	61,982	45,064
Disposition of property, plant and equipment	13,153	15,025
Sales of non-current investments	27,548	10,816
Issue of long-term debt, less expenses of issue	99,636	148,776
Issue of capital stock, less expenses of issue	1,434	422
Sale of treasury stock	4,757	—
Other	14,757	11,140
Total	257,764	266,404
Applied as follows:		
Purchase of property, plant and equipment	129,982	128,738
Acquisition of non-current investments	61,222	22,393
Reclassification of certain securities from current assets to long-term investments	24,923	—
Reduction of long-term debt	62,988	28,079
Purchase of treasury stock	6,759	—
Cash dividends on preferred and common shares	13,867	12,600
Book value of non-current assets, net of long-term liabilities, of subsidiaries acquired during year	—	4,984
Excess of cost over underlying assets of subsidiaries acquired during year—assigned principally to operating rights	2,951	13,094
Other	13,590	10,479
Total	316,282	220,367
Increase (decrease) in working capital	$(58,518)	$ 46,037

Notes to Financial Statements for the Year 1970

NOTE 1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are stated in U.S. currency and include the accounts of the Corporation and all significant subsidiaries, all material intercompany balances and transactions have been eliminated on consolidation.

The Corporation and certain of its subsidiaries operate in Canada and maintain their accounts in Canadian currency. The accounts of the remaining subsidiaries are either maintained in or translated into U.S. currency. Prior to June 30, 1970, the accounts of the subsidiaries maintained in or translated into U.S. currency were translated into Canadian currency at appropriate exchange rates. Effective June 30, 1970, the Corporation commenced reporting in U.S. currency and the accounts of the Corporation and its subsidiaries operating in Canada have been translated into U.S. currency at the exchange rates prevailing at the respective dates. The figures prior to June 30, 1970 previously reported in Canadian currency, have been restated in U.S. currency at appropriate exchange rates. The unrealized loss on foreign exchange at December 31, 1970, which is not material, has been fully provided for in the accounts at that date. The form of presentation and classification of sales and revenues in 1970 has been changed from that shown in the Corporation's annual report to its shareholders for the year 1969 and the 1969 figures have been restated accordingly.

The Corporation has agreed to acquire all of the capital stock of Pacific Intermountain Express Co. (P.I.E.) in exchange for approximately 1,900,000 shares of $1.25 Convertible Preferred stock of the Corporation. The $1.25 Convertible Preferred stock will be redeemable at $25 per share and when issued will be convertible into 0.8 shares of common stock at any time. P.I.E. is principally a common carrier by motor vehicle and operates generally on the east and west coasts of the United States and services intermediate points. For the year ended December 31, 1969 and 1970, operating revenues were $141,101,000 (as restated) and $141,753,000, respectively, and net income was $2,003,000 and $1,794,000, respectively. The acquisition is subject to approval by various regulatory agencies and is contingent on receipt of a favorable tax ruling. The completion of the transaction, which will be accounted for on a pooling of interests basis, would have the effect of reducing 1970 earnings per share from net income-operations by 4¢ primary and 6¢ fully diluted and net income-disposition of properties and investments would be unchanged.

The Corporation's principal operations outside of the United States and Canada relate to its shipping operations which are carried on in a number of foreign countries. Total assets of the shipping companies amounted to $131,381,000 and $188,416,000 at December 31, 1969 and 1970, respectively. Operations outside of the United States and Canada, other than those of the shipping companies, and the total assets of such operations are not material in amount.

NOTE 2 INVENTORIES Inventories at December 31, 1970 are summarized as follows:

Utility (at average cost or less)		$ 5,578,000
Industrial (at lower of cost or market):		
Finished products	$27,891,000	
Work in process	27,897,000	
Raw materials and supplies	20,672,000	76,460,000
Merchandise and commodities (at lower of cost or market)		17,137,000
Other (at cost)		2,778,000
		$101,953,000

Industrial and merchandise and commodities inventories include items valued on a last-in, first-out basis with an aggregate cost of $11,055,000 which is approximately $3,188,000 (1969—$2,529,000) less than the cost of such inventories valued on a first-in, first-out basis. The bases of determining cost for the remainder of the industrial and merchandise and commodities inventories are generally first-in, first-out or average.

NOTE 3 INVESTMENTS Investments at December 31, 1970 consist of the following:

Continental Telephone Corporation—864,800 shares of common stock, at cost, reserved for redemption of $4.40 Voting Preferred Stock of General Waterworks Corporation having an aggregate par value of $21,620,000	$ 3,995,000
Western Union International, Inc.—capital stock, at cost	7,395,000
Frank B. Hall and Co. Inc.—capital stock, at cost	17,700,000
Pacific Intermountain Express Co.—capital stock, at cost	4,708,000
Penn Central Company—capital stock, at cost	11,302,000
Non-current accounts and notes receivable	31,000,000
Subsidiaries not consolidated, at approximate equity	24,813,000
Bonds and debentures, at cost	13,453,000
Investments in non-subsidiary real estate companies, at cost	11,099,000
Investment in joint ventures, at cost	7,566,000
Capital stock of sugar refining and marketing co-operative, at cost	6,359,000
Petroleum properties, at cost less amortization	5,812,000
Miscellaneous, at cost	25,569,000
Provision for loss	(9,500,000)
	$161,271,000

During 1970, the Corporation and its subsidiaries decided to reclassify certain securities from current assets to long-term investments, as the Corporation changed its investment policy with respect to the securities. At December 31, 1970, these securities had an aggregate cost of $24,923,000 and an approximate market value of $11,361,000. The aggregate cost includes common stock of Penn Central Company and debt securities of its principal subsidiary, Penn Central Transportation Company, with a cost of $14,096,000 and an approximate market value of $3,582,000. On June 21, 1970, Penn Central Transportation Company filed for reorganization under Section 77 of the National Bankruptcy Act. The outcome of the reorganization proceedings, and their effect on the investment in Penn Central securities, cannot presently be determined. A provision of $9,500,000 has been made for possible securities losses, including the Penn Central investments.

Agreement has been entered into for the sale of the net assets of the insurance subsidiaries effective at December 31, 1970 for which there have been received the above mentioned shares of capital stock of Frank B. Hall and Co. Inc. The shares, which are carried on the basis of an independent valuation, are subject to registration. The transaction resulted in a gain to the Corporation.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment, which is principally depreciated on a straight-line basis, is summarized below:

	1970			1969
Type of Operation	Gross	Accumulated Depreciation and Amortization	Net	Net
Shipping	$ 180,779,000	$ 35,027,000	$145,752,000	$108,593,000
Trucking	56,809,000	25,150,000	31,659,000	32,841,000
Utility	510,348,000	121,360,000	388,988,000	359,244,000
Industrial	162,680,000	74,809,000	87,871,000	83,074,000
Agricultural, land development, etc.	109,420,000	45,137,000	64,283,000	60,594,000
Office building	13,840,000	2,911,000	10,929,000	10,468,000
Communications	929,000	242,000	687,000	5,355,000
Other	10,745,000	2,832,000	7,913,000	7,776,000
	$1,045,550,000	$307,468,000	$738,082,000	$667,945,000

NOTE 5 OPERATING RIGHTS AND OTHER INTANGIBLES

The amount carried as operating rights and other intangibles consists of: (a) the cost to subsidiary companies of operating rights; (b) the cost of communications services organizations, subscriptions and other intangibles (included in property, plant and equipment in 1969); and (c) the excess of the cost of investments in subsidiaries over the underlying net assets of such subsidiaries, less (d) the excess of the adjusted net assets of consolidated subsidiaries at dates of acquisition over the cost of the investments therein.

With certain minor exceptions, it is not the policy of the companies to amortize the amounts carried as intangibles as, in the opinion of management, they have continuing value.

NOTE 6 LONG-TERM DEBT

Long-term debt at December 31, 1970 is summarized as follows:

	First Mortgage Bonds		Secured Debt		Unsecured Debt		Total
Due	Amount	Rate	Amount	Rate	Amount	Rate	Amount
1971 to 1975	$ 17,956,000	3⅛% to 7 %	$ 43,776,000	3¾% to 9¾%	$169,325,000	5 % to 9½%	$231,057,000
1976 to 1980	12,562,000	3½% to 5¾%	56,403,000	5½% to 8 %	21,513,000	5 % to 9 %	90,478,000
1981 to 1985	29,814,000	4⅛% to 6¼%	9,938,000	5¾% to 8¼%	47,344,000	5¼% to 7½%	87,096,000
1986 to 1990	49,420,000	5 % to 9¾%	1,525,000	6 % to 8 %	22,790,000	5¼% to 7¼%	73,735,000
1991 to 1995	31,289,000	5⅛% to 9¾%	368,000	6 % to 6⅗%	9,825,000	9⅝%	41,482,000
	141,041,000		112,010,000		270,797,000		523,848,000
Less current maturities	12,612,000		16,803,000		21,109,000		50,524,000
Long-term portion	$128,429,000		$ 95,207,000		$249,688,000		$473,324,000

All long-term debt, except for $112,000 applicable to the Corporation, is payable by various subsidiaries. The mortgage bonds and secured debt are subject to various indentures and agreements requiring, among other things, either the mortgaging of properties, the pledging of investments in subsidiaries or, in certain instances, a combination of both.

Unsecured debt includes the 5¼% Guaranteed Convertible Bonds due June 1, 1986, which are convertible into shares of the Corporation's common stock and the 6¾% Guaranteed Bonds due April 30, 1978, which have warrants attached entitling the holder to subscribe for shares of the Corporation's common stock (note 9).

Sinking fund requirements and instalments of long-term debt maturing in each of the years 1972, 1973, 1974 and 1975 amount to approximately $62,546,000, $90,718,000, $46,246,000 and $52,633,000, respectively, after deducting bonds which have been repurchased and excluding requirements which may be satisfied by certification of property additions.

The bonds and indentures and note agreements executed by the Corporation and certain subsidiaries place limitations on the Corporation and its subsidiaries including restrictions on the payment of dividends on the Corporation's common stock. Of the consolidated retained earnings of the Corporation at December 31, 1970, approximately $87,000,000 was not subject to such restrictions.

NOTE 7 PENSION PLANS

The Corporation and certain of its subsidiaries have various insured or trusteed pension plans. The aggregate unfunded past service liabilities under such plans, being amortized over periods not exceeding 40 years, amounts to approximately $22,200,000 at December 31, 1970, in respect to which unfunded vested benefits at December 31, 1970 are estimated to be $19,300,000.

Pension plans of a subsidiary negotiated under union agreements are administered by that company. The liability under such union plans, excluding approximately $5,200,000 resulting from plan changes and which is being provided over 40 years or less, is included in other liabilities.

Aggregate charges against income during 1970 in respect of current service pension costs and in respect of the amortization of liabilities for past service pension costs amounted to approximately $8,000,000. Except for the subsidiary's union plans, it is the Corporation's policy generally to fund pension costs accrued.

NOTE 8 INCOME TAXES

(a) Certain utility subsidiaries are claiming depreciation for income tax purposes in excess of the amounts recorded in the accounts without providing for the related income tax deferral. In fixing rates, those utilities recover only income taxes payable currently. Accordingly, no provision has been made in the accounts of those subsidiaries for this deferral of income taxes which amounted to approximately $2,300,000 in 1970 and $2,200,000 in 1969.

(b) The tax laws of the various countries in which subsidiaries of Gotaas Larsen Shipping Corporation operate are such that their income is substantially free of income tax in those countries. No tax is provided in the consolidated financial statements in respect of that portion of such income which management believes will be retained in the subsidiaries for investment purposes; however, dividends received by Gotaas Larsen Shipping Corporation (a U.S. corporation) are subject to U.S. income taxes and $3,200,000 has been provided in 1970 for taxes on dividends received in that year. In addition, the amount of $3,900,000 was provided from acquisition to December 31, 1968 as an estimate of U.S. income taxes which might become payable in the future.

(c) The U.S. Internal Revenue Service in 1965 issued an administrative ruling which has the effect of denying losses, incurred in Puerto Rico in prior years, which have been included in the consolidated tax return of the Corporation's 54% owned subsidiary, C. Brewer and Company, Limited. In addition, the subsidiary understands from discussions with Internal Revenue Service field agents that the Service now proposes not to recognize for tax purposes the division of Puerto Rico business into a land company and sugar operating company effected in 1965.

Based upon this understanding, it is estimated that the net income taxes in question related to these issues for the years 1961-1970 inclusive approximates $12,000,000.

In the opinion of Brewer's management, based upon the advice of their attorneys and their auditors, the ruling relied upon by the Internal Revenue Service is erroneous and any subsequent action of the Internal Revenue Service in not recognizing the 1965 transaction would also be erroneous. The subsidiary intends to contest any tax assessment on these issues.

(d) Undistributed earnings on mining operations may, in certain circumstances, give rise to further income taxes in the event of the distribution of these earnings to the Corporation. Additional tax at current rates of a maximum of approximately $2,100,000 could become payable in such event, but because the amount of such tax, if any, is dependent upon the circumstances which would prevail on distribution, no provision for such amount has been made in the consolidated accounts of the Corporation.

NOTE 9 CAPITAL STOCK

The authorized and issued capital stock of the Corporation at December 31, 1970 and 1969 is summarized below:

	Issued at December 31, 1970		Issued at December 31, 1969	
	Shares	Stated or par value	Shares	Stated or par value
Series preferred stock, without par value: Authorized—5,000,000 shares (1969—3,000,000 shares)				
Issued:				
$5.00 series (in treasury 1970—200 shares)	93,302	$ 9,563,000	93,302	$ 9,564,000
$6.00 series A	26,400	2,640,000	27,600	2,760,000
$6.00 series B	28,163	2,816,000	28,163	2,816,000
$1.32 convertible series (in treasury 1970—60 shares)	127,629	4,212,000	166,646	5,499,000
$2.00 convertible series	—	—	34,967	1,399,000
$4.50 convertible series	1,050	105,000	1,193	119,000
	276,544	$19,336,000	351,871	$22,157,000
Series preference stock, without par value: Authorized—10,000,000 shares; reserved 41,183 shares classified as Special Stock, Series A (for conversion of preferred stock, 3,066 shares, and exercise of stock options, 38,117 shares)				
Issued—Special Stock, Series A (in treasury 1970—101,171 shares)	3,644,744	$70,370,000	4,187,629	$81,163,000
Common stock, par value $2.50 per share: Authorized—30,000,000 shares; reserved for conversion of preferred stock, 114,866 shares, for conversion of Special Stock, Series A, 8,076,235 shares, for conversion of bonds of a subsidiary, 252,625 shares, for exercise of warrants attached to bonds of a subsidiary, 90,000 shares and for exercise of stock options and stock purchase plans, 986,418 shares				
Issued (in treasury 1970—225,522 shares; 1969—279,103 shares)	10,052,177	$25,130,000	9,304,331	$23,261,000

The holders of preferred stock are entitled to cumulative dividends payable in U.S. currency at the respective rates set out in the title of the various series, have voting rights and upon liquidation or redemption are entitled to receive amounts varying from approximately the stated value to 103% of stated value plus accrued and unpaid dividends. The convertible preferred stock is convertible as follows: each share of the $1.32 series into .9 of a common share decreasing to .8 of a common share after December 1, 1972; and each share of the $4.50 series into 2.92 shares of Special Stock, Series A decreasing to 2.14 shares between January 1 and December 31, 1975 after which time shares of this series are not convertible.

The terms of the $1.32 convertible Preferred Stock and of the $6.00 Preferred Stock, Series A impose upon the Corporation, in the case of the $1.32 series, an annual obligation to retire in certain circumstances, up to 2% (presently 30,000 shares) of such stock originally issued and, in the case of the $6.00 Preferred Stock, Series A, an obligation to redeem in each year 4% (presently 1,200 shares) of the aggregate number of shares of such series theretofore issued.

Holders of Special Stock, Series A are not entitled to receive any dividends; they have voting rights and on liquidation are entitled to receive $15 per share subject to the liquidation rights of the preferred shareholders. The Special Stock, Series A is redeemable after December 31, 1977 at $70 per share and is convertible into 1.1249 shares of common stock until December 31, 1971 after which time the conversion rate increases to a maximum of 2.1911 common shares on January 1, 1988.

See note 1 for information concerning a new issue of $1.25 Convertible Preferred stock of the Corporation.

Changes in capital stock during the year are summarized as follows:

	Preferred	Special Stock, Series A	Common
Shares issued at December 31, 1969	351,871	4,187,629	9,304,331
Conversion of preferred stock	(35,242)	68,565	8,060
Redemption or retirement of preferred stock	(10,085)	—	—
Conversion of Special Stock, Series A	—	(669,352)	723,654
Cancellation of treasury stock	(30,000)	—	—
Exercise of stock options	—	57,902	13,884
Conversion of bonds of a subsidiary	—	—	2,248
Shares issued at December 31, 1970	276,544	3,644,744	10,052,177

Options to certain officers and employees of the Corporation and its subsidiaries were outstanding at December 31, 1970 for the purchase of 241,118 shares of common stock and 38,117 shares of Special Stock, Series A, of the Corporation.

Options granted under the Employees Stock Option Plans are exercisable in variable amounts over periods from five to seven years from the date of grant, at prices from $18.96 to $49.75 per share of common stock and from $12.80 to $36.53 per share of Special Stock, Series A; such prices, depending on the terms of the particular plan, being from 85% to 100% of the fair market value of the stock at the date of grant.

The changes in the outstanding options during 1970 were as follows:

	Special Stock, Series A	Common
Shares under option at December 31, 1969	106,073	196,452
Granted	—	78,500
Exercised	(57,902)	(13,884)
Cancelled or expired	(10,054)	(19,950)
Shares under option at December 31, 1970	38,117	241,118

At December 31, 1970 there were 245,300 shares of common stock available for future grants. No further options on shares of Special Stock, Series A may be granted.

Under the Employees Stock Purchase Plan 500,000 shares of common stock may be sold to eligible employees. An offering of 150,000 shares was made at a purchase price of 85% of the market price of the stock on December 31, 1971, but not exceeding $24.55. Elections to purchase shares were received for the full amount of the initial offering.

Also, two subsidiaries had outstanding options granted to officers and key employees to purchase shares of the subsidiaries' common stock.

At December 31, 1970, a wholly-owned subsidiary had outstanding $8,084,000 principal amount of bonds due in 1986 which are convertible prior to maturity into common stock of the Corporation at $32 per share. In addition, at December 31, 1970 that subsidiary had outstanding $15,000,000 principal amount of bonds due in 1978 with warrants attached which, for each $1,000 bond held, entitle the holder to subscribe to six shares of common stock of the Corporation not later than April 30, 1978 at an aggregate price of $258.

NOTE 10 NET INCOME PER AVERAGE SHARE

The primary computation of average common shares and common equivalent shares is based on the total average shares of both common and Special Stock, Series A outstanding during each year, and the inclusion, as outstanding for the entire year, of the dilutive effect of shares issuable as of the end of the year upon exercise of stock options. The Special Stock, Series A, has been included on a basis equivalent to 1.1249 and 1.0816 common shares of the Corporation for 1970 and 1969, the applicable conversion rates.

The fully diluted computation of earnings per share of common shares and common equivalent shares reflects, in addition to the primary computation, (a) the inclusion, as outstanding for the entire year, of shares issuable as of the end of the year upon conversion of convertible preferred stock and convertible bonds and (b) the elimination of the dividend requirements on such convertible preferred stock and the interest, net of income taxes, applicable to the convertible bonds. This computation assumes, in addition to the conversions referred to above, the theoretical conversion of each outstanding share of Special Stock, Series A (now convertible into 1.1249 common shares) into 1.6651 common shares in 1981 and no additional conversions prior to 1981. In the opinion of management the likelihood that further substantial conversions will not occur prior to 1981 is extremely remote.

The primary and fully diluted earnings per share calculations appearing at the foot of the consolidated statement of income are computed on the basis of U.S. practice. Under practice in Canada, which was generally adopted with effect in 1970, the basis of computing earnings per share is substantially comparable to the U.S. basis except that primary earnings per share are computed without reference to common share equivalents and to the dilutive effect of shares issuable on stock options. However, the Special Stock, Series A, is regarded, for practical purposes, as participating and has been included in the computation of primary earnings per share for Canadian purposes. Thus, as the dilutive effect of stock options is not material, earnings per share on the Canadian basis do not differ materially from the U.S. basis.

NOTE 11 COMMITMENTS

At December 31, 1970 major commitments by certain subsidiaries consisted of approximately $85,000,000 for the purchase of vessels under construction and approximately $15,700,000 for the construction of new utility plant. Mortgage financing has been arranged with respect to a portion of these commitments.

Included in the commitment on construction of vessels is approximately $26,100,000 applicable to partnerships which the subsidiaries have joined with other shipowners. In addition, the subsidiaries are contingently liable to the extent of approximately $59,400,000 representing the other partners' interest in the construction contracts for these vessels.

The Corporation and certain subsidiaries have long-term leases for the rental of properties, office space, vessels and terminal facilities. The aggregate minimum annual rental with respect to the major long-term leases is approximately $24,100,000. In addition, at December 31, 1970, C. Brewer and Company, Limited and its consolidated subsidiaries had leases in effect or under renegotiation with a minimum annual rental for 1971 of $5,700,000. The leases cover land, real property, mobile equipment and other facilities and have various termination dates. At December 31, 1970, certain subsidiaries of Brewer were contingently liable for letters of credit in the amount of approximately $23,700,000.

PEAT, MARWICK, MITCHELL & CO.
CHARTERED ACCOUNTANTS
PRUDENTIAL BUILDING
4 KING STREET WEST
TORONTO 1, ONTARIO

ACCOUNTANTS' REPORT

To the Board of Directors and Shareholders
of International Utilities Corporation

We have examined the consolidated balance sheet of International Utilities Corporation and subsidiaries as of December 31, 1970, the related statements of consolidated income, consolidated additional paid-in capital, consolidated retained earnings and consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of C. Brewer and Company, Limited and consolidated subsidiaries, included in the consolidated financial statements, which were examined by other independent public accountants whose report has been furnished to us. The consolidated assets, sales and revenues and net income of C. Brewer and Company, Limited represent 14.2% of consolidated assets, 18.2% of consolidated sales and revenues and 8.7% of consolidated net income of the Corporation, respectively.

In our opinion, based upon our examination and the aforementioned report of other independent accountants, the accompanying financial statements present fairly the consolidated financial position of International Utilities Corporation and subsidiaries at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, of which we approve, in the basis of presenting the financial statements in U.S. currency as explained in note 1 to the financial statements.

Toronto, Ontario
March 11, 1971

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Principal Companies of International Utilities Corporation

UTILITIES

Gas & Electric

Canadian Utilities, Ltd., Edmonton, Alberta—serves communities in central and northern Alberta and the Yukon Territory.

Canadian Western Natural Gas Co. Ltd., Calgary, Alberta—supplies natural gas to Calgary and other communities in southern Alberta.

Northland Utilities Ltd., Edmonton, Alberta—supplies natural gas to communities in northern Alberta and in British Columbia and electricity to communities in northern Alberta and Northwest Territories.

Northwestern Utilities, Ltd., Edmonton, Alberta—supplies natural gas to Edmonton and other communities in central Alberta.

Water, Sewer & Heating

General Waterworks Corp., Philadelphia, Pa.—provides water, sewer and heating services in numerous communities in 18 states of the United States and one province of Canada.

OCEAN SHIPPING

The Gotaas-Larsen Companies, New York, N.Y.—own and/or operate oil tankers, bulk carriers, refrigerator ships and cruise ships throughout the world, with additional offices in Oslo, Norway; Buenos Aires, Argentina; Montevideo, Uruguay and Nassau, Bahamas.

LAND TRANSPORTATION

Ryder Truck Lines, Helm's Express, Ranger Division, W. T. Byrns, Jacksonville, Fla.—provide trucking services to all major metropolitan areas in the eastern half of the United States.

LAND DEVELOPMENT/AGRICULTURE

C. Brewer and Co., Ltd., Honolulu, Hawaii—one of the largest landholders in Hawaii, produces sugar, molasses, macadamia nuts and operates other related businesses.

INDUSTRIAL & CONSUMER PRODUCTS

Process Industries Equipment

Delta Southern Co., Baton Rouge, La.—manufactures process towers, large pressure vessels, heat exchangers, cryogenic and other equipment for the petroleum, chemical, nuclear energy and power industries.

Frick Co., Waynesboro, Pa.—manufactures refrigerating and air-conditioning equipment and forestry machinery in the United States, Australia, Canada, India, Mexico and Italy for worldwide distribution.

IRECO Industries, Inc., Eugene, Ore.—manufactures irrigation equipment and precision die cast products.

Southwest Fabricating & Welding Co., Houston, Tex.—maker of pressure piping for the petroleum, chemical, electric power and other process industries.

Walworth Co., Bala Cynwyd, Pa.—manufactures in the United States and Italy a full line of industrial valves, with emphasis on stainless and other alloys, for worldwide distribution.

Consumer Products & Distribution

Farmbest, Inc., Jacksonville, Fla.—processes and distributes milk, ice cream and allied products and engages in institutional food distribution in the southeastern section of the United States and in Puerto Rico.

Unijax, Inc., Jacksonville, Fla.—manufactures, converts, and distributes paper and paper products for printing, commercial and industrial uses.

Steel & Metals

International Mill Service, Philadelphia, Pa.—together with affiliates provides metal recovery and slag handling services at steel mills in the United States, Brazil, Canada, Mexico and Venezuela.

Tennessee Alloys Corp., Chattanooga, Tenn.—produces alloying agents used in the manufacture of steel and iron.

Kaiser-Nelson Steel & Salvage Corp., Philadelphia, Pa.—liquidates industrial and commercial plants, resells salvaged equipment and machinery in the United States and Canada.

Housing & Construction

Amvit, Cleveland, Ohio—manufactures clay sewer pipe, concrete pipe and other clay and concrete products.

Bradford-White Corp., Philadelphia, Pa.—manufactures domestic and commercial gas and electric water heaters and enamelware.

Standard Structural Steel Ltd., Montreal, Quebec—fabricates and erects steel for buildings, bridges and other structures in Canada and the northeastern United States.

Communications & Services

Canadian Telephone Answering Services, Toronto, Ontario—provides telephone answering services to customers in Ontario, Quebec, Alberta and Manitoba.

Intelco Radiocomunicacoes, S.A., São Paulo, Brazil—serves 13 cities in Brazil with telephone and radio in-plant paging systems.

Pagette Air Signals Ltd., Toronto, Ontario—operates radio message relay and dispatch services in Montreal, Toronto and other cities.

Personnel Pool, Toronto, Ontario—provides temporary help to businesses in Toronto, Ottawa and Calgary.

OTHER COMPANIES

Echo Bay Mines, Ltd., Edmonton, Alberta—operates a silver-copper mine at Port Radium, Northwest Territories.

International Utilities Petroleum Corp., Edmonton, Alberta—engages in the search for oil and gas reserves in Canada.

International Utilities Corporation 200 University Avenue, Toronto 1, Ontario, Canada

Directors

Lord Crowther, *London, England—Chairman of Trust Houses Group Ltd. and of The Economist Newspaper Ltd.*

Paul Desmarais, *Montreal, Quebec—Chairman and Chief Executive Officer of Power Corporation of Canada, Ltd.*

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F. Clarence Manning*, *Calgary, Alberta—President of Manning-Egleston Lumber Company, Ltd.*

Willis S. McLeese*, *Toronto, Ontario—President of Trans Canada Freezers, Ltd.*

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Ira T. Wender, Esq., *New York—Managing Director of S. G. Warburg & Co., Inc.; Partner of law firm of Baker & McKenzie; Chairman of C. Brewer & Co., Ltd., a subsidiary of IU*

Bruce F. Willson, *Toronto, Ontario—President and Chief Executive Officer of Union Gas Company of Canada, Ltd. (Effective April 1, 1971)*

Dennis K. Yorath*, *Edmonton, Alberta—Chairman of the Executive Committee*

**Member of the Executive Committee of the Board of Directors*

IU's common stock, Special Stock, Series A, and $1.32 Convertible Preferred Stock are listed on the New York, Montreal, Toronto, Vancouver, Pacific Coast and Philadelphia-Baltimore-Washington Stock Exchanges. The common stock also is listed on The Stock Exchange, London. The 5¼% Guaranteed Convertible Bonds of International Utilities Overseas Capital Corp. (IUOCC) are listed on The Stock Exchange, London, and the Luxembourg Stock Exchange, and IU's Warrants dated May 1, 1968, attached to the 6¾% Guaranteed Bonds of IUOCC, are listed on the Luxembourg Stock Exchange. The Bank of New York in New York and Montreal Trust Company in Montreal, Toronto, Calgary, Vancouver and Regina are the transfer agents. The registrars are Chemical Bank in New York, Crown Trust Company in Montreal, Toronto, Calgary and Vancouver and the Royal Trust Company in Regina.

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